RETAIL TECHNOLOGY

October 1985 / SECTION TWO

ELECTRONIC SHOPPING:
At home in stores

RETAIL TECHNOLOGY

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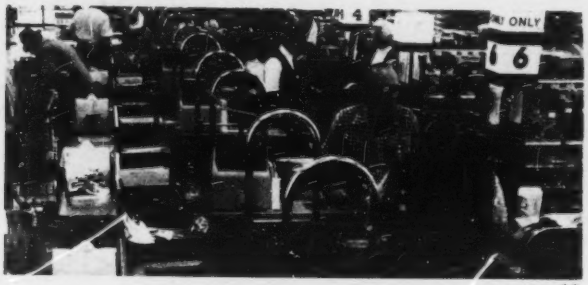

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Shopping by TV or PC: Is it viable?

Chain Store Age Executive's survey examines consumer readiness

Will electronic in-home shopping systems eventually become a viable channel of retail distribution?

There's no clear cut answer to this question. But what does appear obvious, according to a recent study conducted by *Chain Store Age Executive*, is that consumers still aren't ready to embrace at-home systems as an acceptable alternative to in-store shopping.

The *Chain Store Age Executive* study involved a survey of 500 consumers in Boston, Atlanta, Columbus, Ohio, San Antonio and Los Angeles. The eligible respondents were males and females 21 years of age or older who shop for nongrocery items at least once a month.

In addition, all of the respondents reside in households which subscribe to a cable television service and/or own a personal computer.

The purpose of the survey was to assess consumer attitudes toward electronic shopping, while a secondary objective was to provide retailers with some insight into the impact that consumer electronic shopping might have at the retail level.

According to the survey results, electronic shopping systems based on either cable television or personal computer availability currently appear likely to have only a very slight impact upon retailers. This conclusion is based on the following data:

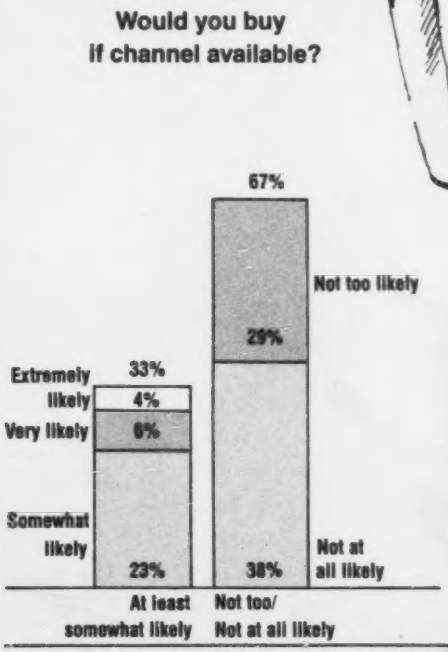
- Cable television penetration averages 44% in the five markets studied. Comparable figures for personal computer ownership.
- Only a small proportion of cable television subscribers (4%) and owners of personal computers (4%) have ever purchased merchandise via these media.
- Those without access to electronic shopping via their respective medium or who don't know if they have access expressed relatively low levels of interest in using electronic shopping—and even if access to such systems was offered them at no cost. The primary reason for not wishing to utilize such a system was a strong preference for actually visiting the stores. This was indicated by such phrases as "I like to see what I'm buying," "I like to go shopping" and "I prefer to go to the store/do it in person."

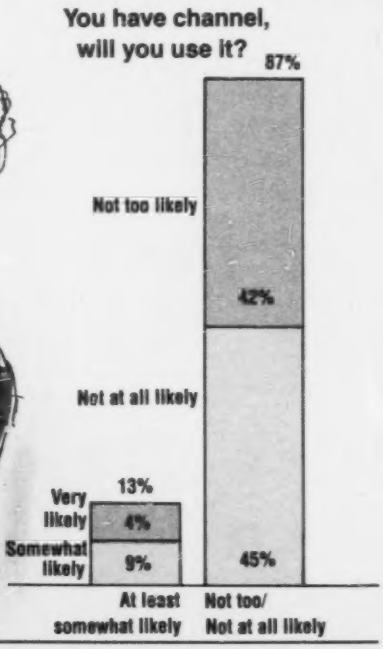
One of the major impediments to greater use of such systems may very well be the technology now available—currently confined largely to videotext-based systems. As Susan Engel, a partner in Booz Allen & Hamilton, points out, "Videotext does not have the capability of putting on the screen the rich variety of retailing and merchandising available in the real world."

Because of videotext's limitations, most at-home electronic shopping is thus being confined "to hard goods price comparisons," says Engel.

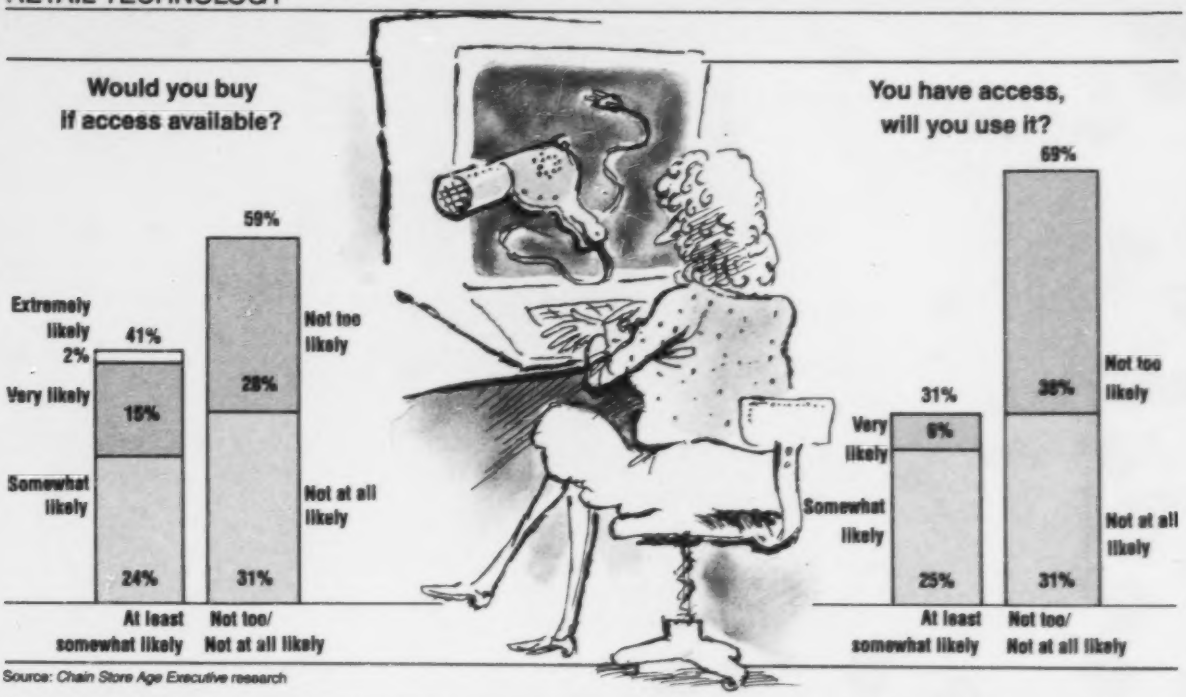
It is estimated that 70% of purchases now being made through such systems are of consumer electronics, admittedly a hot area throughout retailing.

However, according to the *Chain Store Age Executive* study, only 12% of those with current access to cable television shopping channels are "at least somewhat likely" to make a purchase utilizing this system. All cable subscribers were asked to rate their likelihood of purchasing merchandise through such a system based on a five point scale, ranging from "extremely





Source: *Chain Store Age Executive* research



Source: *Chain Store Age Executive* research

likely" to "not at all likely."

The propensity to utilize such a system at some point during the next 12 months is somewhat higher among the 76% of the cable subscribers who either do not have access to such a channel, or who don't know if their cable television service offers such a channel. Of this group, 32% say they are at least somewhat likely to utilize such a service if it were made available to them at no additional charge.

This increased interest may actually be related to the limitations of current systems since those who already have access are obviously more aware of exactly what such systems offer to them.

It isn't surprising that one subgroup which appears more inclined to use such systems for shopping are frequent mail or telephone shoppers, defined as those who make four or more purchases a year. The likelihood also appears to be stronger in households reporting income of over $30,000 a year. It can be assumed that many of these households are comprised of two-career couples who obviously face many time pressures and thus may be lured by the convenience of shopping through such a system.

Convenience appears to be by far the most likely reason for any interest expressed in utilizing such a system in the future. Specific responses included "It would save time," "I wouldn't have to leave home/go out to the store" and "It makes shopping easy/easier."

Other positive motivators include "I would like to try it," "Sounds good/good idea," "It's new/like to try new things" and "I already shop by catalog."

On the negative side, the main obstacle to usage is quite simply "I like to go shopping."

Among the cable television subscribers who are at least somewhat likely to purchase merchandise via a shopping channel, books are most definitely the category of merchandise they are most likely to consider buying, cited by 65%. This is followed by: appliances/small electric items (57%); records (52%); sporting goods (47%); games (43%); apparel (41%).

It is estimated that 70% of purchases being made through such systems are of consumer electronics

Instead of the future of at-home shopping being linked to cable channels, it now looks like more of the growth may come about through personal computer-based accessible systems.

Of the 33% of the total survey respondents who own a personal computer, only 13% report they are able to access a shopping service. Three-quarters of the owners are unable to access a shopping service (76%) and 11% are unsure.

In addition, most of the computer owners who are able to access a shopping system have only had this capability for one year or less (55%).

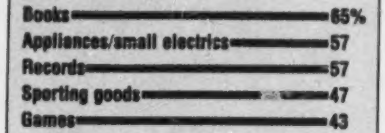
The positive news, though, is that interest in utilizing such a system appears significantly higher among both present and potential system accessors. Specifically, 31% with the present capability to access such a system are "at least somewhat likely" to use it for making a purchase sometime during the next 12 months. Of this group 6% are "extremely likely" to use the system.

In addition, 41% of those computer owners presently lacking the capability are "at least somewhat likely" to utilize such a system if they are provided access to one in the future. Of this group, a healthy 17% are "extremely likely" to purchase goods through such a system when and if one is made available to them.

Thus, it now appears that significant growth in this form of shopping may occur both as personal computer ownership increases and as shopping services become more widely accessible.

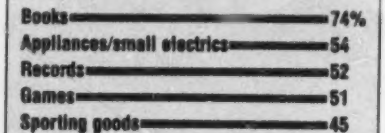
The best prospects for selling merchandise, according to the preferences of the total group of computer owners "at least somewhat likely" to use a computer-based system for making purchases, appear again to be books, cited by 74%. This category is followed by the following: appliances/small electric items (54%); records (52%); games (51%); sporting goods (45%); apparel (39%) and food (32%).

Likeliest purchase via cable



Source: *Chain Store Age Executive* research

Likeliest purchase via computer



Source: *Chain Store Age Executive* research

Again, among the respondents expressing positive future purchase interest, convenience is the prime motivator. Specifically, they note that utilizing such a system "makes shopping easier" and "would save time." Most of the convenience aspects, though, were unspecified among this group.

Among other positive motivators, "sounds good/good idea" was mentioned most often.

A significant group of these respondents were also cautious in saying that their likelihood to make future purchases through such a system depends to a large extent on the merchandise offered.

Analysis of those consumers who report they would be "extremely" or "very likely" to use a computer shopping service if access software was free and no service fee is charged indicates that better prospects exist among frequent overall shoppers (defined as those who shop for nonfood merchandise once a week or more). There is also a strong indication that those consumers who shop by mail or telephone four or more times per year would be more likely users.

The strongest negative factor impeding computer shopping's growth is, not surprisingly, the fact that many consumers simply like to go shopping. Specifically, they say "I like to see what I'm buying" and "I prefer to go to the store/do it in person."

The major obstacles for those averse to using such a system also include such sentiments as "I have no need/use for it," "I have easy access to store [already]," "I don't trust it," "I'm not interested," "I don't like to shop by mail/television" and simply "I just don't like it."

Yet, despite such negativism, Engel and many others like her still expect electronic in-home shopping eventually to account for a significant portion of merchandise sales—although not as soon as the soothsayers once predicted.

For example, Engel now believes that the big question facing this form of retail distribution is "How will in-home shopping evolve into something more? Specifically, when will the technology be developed that will allow you more merchandising capabilities than are currently being provided through videotext?"

In the meantime, she believes that the emergence of electronic kiosks at the store (and mall) level may have an important role in the eventual utilization of at-home systems *(see related story this issue)*. Having access to such systems affords consumers an opportunity "to experiment now for when that kind of technology is available in the home." She adds that, "There is a need to play around with kiosks so people understand what to do in the home. It is a kind of chicken-and-the-egg phenomenon."

Current state-of-the-art electronic kiosks utilize videodisks. The difficulty in their further utilization, though, is that they are extremely expensive to produce, costing perhaps as much as $125,000 for a single disk.

An even bigger impediment has appeared to be the cost of providing in-home shopping services and the question of who will foot the bill. However, Engel believes that as home information systems (of which most shopping services are a part) start offering additional services, "there will be a different spread of economies through more shared resources." The consequence: such systems will become more economical from both the supplier and user points of view.

Despite all the obstacles, "I firmly believe electronic in-home shopping will happen," says Engel. "It's simply too interesting and too innovative for it not to happen." ■

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